



## Influence of board structure on corporate financial performance in India

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### Abstract

Board structures are essential part of corporate governance. The contribution of board of directors on the board of companies is significant for ensuring proper direction with regard to leadership, vision, strategy, policies, monitoring, supervision, accountability to shareholders and other stakeholders and to achieving greter level of performance. So, board structure is an important factor in determination of firm financial performance. The purpose of this study is to investigate the relationship of financial performance measures with corporate Board structure. Multiple regression is used covering the 2010–2019 period. The analysis show that all listed companies have on an average eleven board members. The two third of the directors are non-executive and half of the directors are independent, which is in line with the India code of corporate governance. The two third of the sample companies with the code of corporate governance guideline for separating the CEO and chairman roles. The study also found that Board size has a significant negative impact and Proportion of non-executive directors in the corporate board positively significant effects on corporate financial perform. Firm size and liquidity have a significant positive relation and Leverage is negatively and significantly associated with corporate financial performance. It can be concluded that the financial performance of the Indian listed companies is significantly affected by board structure and Indian corporate sector support the argument of both the agency theory and resource dependency theory. The study also suggested that Indian corporate sector particularly favours small boards with a high composition of Non executive directors.

**Keywords:** Board structure, board size, non executive director, independent director, CEO duality, financial performance

### Introduction

Corporate Governance is the process, mechanism and structure by which the business affairs of the company are directed, managed and governed directly. The corporate governance structure specifies the relations and the distribution of rights and responsibilities among board of directors, managers and share holders. Board structures are essential part of corporate governance. A board of director is a body of elected or appointed members who jointly oversee the activity of a company. Corporate boards have many duties and responsibilities. In every decision, they must consider how it will affect their employees, customers, suppliers, communities and shareholders. The contribution of board of directors on the board of companies is significant for ensuring proper direction with regard to leadership, vision, strategy, policies, monitoring, supervision, accountability to shareholders and other stakeholders and to achieving greter level of performance. Board structure consists of board size, proportion of outside directors in the board, identity of chairman, etc. Good corporate governance trusts on distinct variances in the roles between board directors and managers. It is never proposed for board directors to be directly involved in the regular operations of a company, and they positively shouldn't engage in interfering the management. So board structure is an important factor in determination of firm financial performance.

### Research problem

Both the agency theory and resource dependency theory forecast a positive relationship between firm performance and the presence of NEDs, while stewardship theory conversely holds that insider directors can better monitor

management that NEDs due to their enhanced knowledge of firm operation. Furthermore, agency theory suggests the separation of the chairman and CEO from the same position. But stewardship theory proposes that an effective management is based on the principle of the unity of command, thus it is advisable for the chairman and the CEO to hold the same position according to this perspective.

In this context it is important to know that Indian corporate sector support the argument of which theory when board structure taken into consideration?

### Review of Literature

A review of the relevant studies is presented below:

Karpoff, Marr & Danielson (1994) <sup>[21]</sup>, in their study "Corporate Governance and Firm Performance" showed that firms with the fewest restrictive provisions relative to other firms in their industries have the best industry-adjusted performance. The study also found that the existence of a poison pill is negatively related to industry-adjusted measures of ROA and M/B.

Goswami (2002) <sup>[20]</sup>, in his study "Corporate Governance in India" recognized among Indian corporations that improving corporate governance and applying internationally accepted accounting and disclosure standards is likely to facilitate access to U.S. capital markets. The study also suggested that in a few more years India will have moved to full capital account convertibility. This will increase Indian investors' freedom to choose between Indian and foreign companies for placing their funds, and good corporate governance will be one of the major issues that these investors will consider.

Eng & Mak (2003) <sup>[16]</sup>, in their study "Corporate governance and voluntary disclosure" for a sample taken from firms

listed on the Stock Exchange of Singapore (SES) at the end of 1995 found that lower managerial ownership and significant government ownership are associated with increased disclosure. However, block holder ownership is not related to disclosure. The study also found that an increase in outside directors reduces corporate disclosure and larger firms and firms with lower debt had greater disclosure.

Dwivedi & Jain (2005) <sup>[15]</sup>, in their study “Corporate Governance and Performance of Indian Firms: The Effect of Board Size and Ownership” explained that a higher proportion of foreign shareholding is associated with increase in market value of the firm, while the Indian institutional shareholders’ association is not statistically significant. A weak positive association is also found between board size and firm value. The study also showed that directors’ shareholding has a non-linear negative relationship with firm value, while the public shareholding has a linear negative association.

Bocean & Barbu (2007) <sup>[7]</sup>, in their study “Corporate Governance and Firm Performance” showed that corporate governance matters for economic performance, insider ownership matters the most, outside ownership concentration destroys market value, direct ownership being superior to indirect.

Chakrabarti, Megginson & Yadav (2008) <sup>[10]</sup>, in their study “Corporate Governance in India” showed that the Indian economy and its financial markets have started attaining impressive growth rates in recent years, and have shown an exceptionally high level of optimism. The study also found the rise of successful companies like Infosys that are completely free of the influence of a dominant family or group, and have made the individual shareholder their central governance focus.

Rouf (2012) <sup>[29]</sup>, in his study “The Relationship between Corporate Governance and Value of the Firm in Developing Countries: Evidence from Bangladesh” showed a positive significant relationship between Return on Assets and board independent director as well as chief executive officer duality. The study also revealed a positive significant relationship between Return on Equity and board independent director as well as chief executive officer duality. But the study could not provide a significant relationship between the value of the firm measures (ROA and ROE) and board size and board audit committee.

VO & PHAN (2013) <sup>[33]</sup>, in their study “Corporate Governance and Firm Performance: Empirical Evidence from Vietnam” showed that the elements of corporate governance such as the presence of female board members, the duality of the CEO, the working experience of board members, and the compensation of board members have positive effects on the performance of firms, as measured by the return on asset. However, board size has a negative effect on the performance of firms. This study also indicated that ownership of board members has a non-linear relationship with a firm’s performance.

Amba (2014) <sup>[2]</sup>, in his study “Corporate governance and firms’ financial performance” indicated that corporate governance variables do influence firms’ performance. The study also found that CEO duality, proportion of non-executive directors and leverage has negative influence but board member as chairman of audit committee, proportion of institutional ownership has positive influence on firms’ financial performance.

Nguyen & Lu (2017) <sup>[24]</sup>, in their study “Independent directors, ownership concentration and firm performance in listed companies Evidence from Vietnam” found that in Vietnam, independent directors on the board is significantly and negatively related to firm operating performance measured by ROA. This finding may be because of information asymmetry, expertise disadvantage and the dominance of ownership concentration that prevent independent directors from fulfilling their monitoring function in governance. The study also revealed that the type of controlling shareholder influences the relationship between independent directors and firm performance.

Deb & Dube (2019) <sup>[13]</sup>, in his study “Corporate ownership Vis-a-Vis disclosure: evidence from India” found that companies with concentrated ownership discloses less information compared to companies with dispersed holding structure. The study also showed that the negative correlation between institutional investors, non-institutional investors; and level of disclosure, which indicates an absence of markets in India to push for compliance with voluntary disclosure norms.

### Research gap

Although large number of studies have been conducted on Corporate Governance but very few studies conducted in India dealt with the effect of board structure on corporate financial performance of last decade. Moreover, the results of those study relating to the developed countries are controversial in the context of an emerging economy like India. Sometimes the study period is too short to describe the authentic relationship and also they used the simple correlation and linear regression technique.

So the present study bridges the gap and highlights the effect of board structure on corporate financial performance of Indian listed companies.

### Objectives of the Study

The present study investigate how financial performance of the Indian listed companies is affected by board Structure. This primary objective is classified into the following secondary objectives:

1. To assess the relationship between Board size and corporate financial performance.
2. To find out the relationship between proportion of non executive director and corporate financial performance.
3. To assess the relationship between proportion of independent director and corporate financial performance.
4. To find out how do CEO duality affect corporate financial performance.

### Hypotheses

The following hypotheses have been formulated:

#### Hypothesis – I: Board size and corporate financial performance

**Null Hypothesis (H<sub>0</sub>):** There is no relationship between board size and corporate financial performance.

**Alternative Hypothesis (H<sub>1</sub>):** There is relationship between board size and corporate financial performance.

**Hypothesis – II: Proportion of executive directors in board and corporate financial performance**

**Null Hypothesis (H<sub>0</sub>):** There is no relationship between proportion of non executive director and corporate financial performance.

**Alternative Hypothesis (H<sub>1</sub>):** There is relationship between proportion of non executive director and corporate financial performance.

**Hypothesis – III: Proportion of independent directors in board and corporate financial performance**

**Null Hypothesis (H<sub>0</sub>):** There is no relationship between proportion of independent director and corporate financial performance.

**Alternative Hypothesis (H<sub>1</sub>):** There is relationship between proportion of independent director and corporate financial performance.

**Hypothesis– IV: CEO duality and corporate performance**

**Null Hypothesis (H<sub>0</sub>):** There is no relationship between CEO duality and corporate financial performance.

**Alternative Hypothesis (H<sub>1</sub>):** There is relationship between CEO duality and corporate financial performance.

**Database and Methodology**

**Source of Data:** The study is based on the secondary data. Data was collected from the annual reports of the sample companies as well as data was collected from Capital line database. The sampling design for collection of secondary data is a convenient sampling. 30 Indian Listed Companies are selected from listed in NSE and BSE. These companies are selected on the basis of their (2010-2019) ten years average market capitalization.

**Period of the Study:** The study has been covered a period of ten years starting from the financial year 2010 to 2019.

**Variables used in the Study**

The study introduces a number of important variables to proxy board structure and firm financial performance of Indian listed companies. Besides, a set of appropriate firm specific variables are introduced to control the effects of other possible determinants of firm financial performance. The description of all the variables used is given in the table below:

**Table 1**

Symbol	Variable Name	Descriptions & Measures
BSIZE	Board size	Total numbers of directors in the board
NED	Proportion of non executive directors	Number of Non-executive directors / total numbers directors
ID	Proportion of independent directors	Number of independent directors / total numbers directors
LED	CEO duality	Dummy variables “0” for combined leadership i.e. same person holds both the positions of CEO and chairman position in company and “1” for separate leadership
LEV	Leverage	Debt equity ratio (Total debt / Net worth)
LIQ	Liquidity	Current ratio (current assets/current liabilities)
SIZE	Size	Natural logarithm of total Sales

**Methodology**

The first statistical techniques applied in this study are descriptive statistics, which comprise the analysis of the overall mean, minimum, maximum, standard deviation, coefficient of variance, skewness and kurtosis for each individual variable. The mean, minimum, maximum, standard deviation and coefficient variance measure the central tendency of the variable. Coefficient of variation has used to get fluctuations or variation about the mean values of the financial variables. The skewness and kurtosis values describe the shape of the data distribution. The skewness measures the symmetry of distribution, while kurtosis measures the peak or flatness of the distribution, as compared to the normal distribution.

For identifying the nature of the trend in each of the selected variable during the period under study linear trend equation was fitted and in order to examine whether the slopes of the trend lines were statistically significant or not t-test was used. The trend analysis has been made with the help of SPSS Package.

**Estimation Techniques**

The multiple regression analysis is employed to test research hypothesis. A multivariate analysis has been taken to examine the relationship between board structure and firm financial performance. In order to capture the effects of firm and time specific heterogeneities panel data models (Pooled OLS regression model, Fixed effects model and

Random effect model) have been used. The choice amongst the three models, three statistical tests, viz, the Restricted F Test, Breusch-Pagan Lagrange Multiplier Test and Hausman Test have been carried out. The Restricted F Test is applied to make a choice between Pooled OLS regression model and FEM. On the other hand, Breusch-Pagan Lagrange Multiplier Test is applied to make a choice between Pooled OLS regression model and REM. The Hausman Test (1978) is applied to make choice between the FEM and REM. Moreover, the specification tests like, pairwise correlation matrix, Variance Inflation Factor, Hetttest and Imtest test and Robust standard error are applied for unbiased and efficient regression results. To check the presence of multicollinearity, a correlation matrix has been constructed. VIF is used to measure the degree of multi-collinearity of an independent variable with the other independent variables in a regression model. To check the presence of heteroskedasticity, a Hetttest and Imtest test has been constructed. Robust standard error (Huber/White or sandwich estimators) is used to remove the problem of heteroskedasticity in the models.

**Model Specification**

The first model has been tested, in which the independent variable are board structure such as board size, proportion of non executive director, proportion of independent director, CEO duality and Return on assets (ROA). The second model has investigated the effect of board structure on

Return on equity (ROE), after controlling for corporate characteristics, i.e. leverage, liquidity and size.

**First model specification**

The first model has investigated the effect of board structure on Return on assets (ROA), after controlling for corporate characteristics, i.e. leverage, liquidity and size. In the model, board structure is used- such as board size, proportion of non executive director, proportion of independent director, CEO duality.

$$ROA = \beta_0 + \beta_1 BSIZE_{it} + \beta_2 NED_{it} + \beta_3 ID_{it} + \beta_4 LED_{it} + \beta_5$$

$$LEV_{it} + \beta_6 LIQ_{it} + \beta_7 GROWTH_{it} + \beta_9 SIZE_{it} + u_{it}$$

**Seconded model specification**

The seconded model has investigated the effect of board structure on Return on equity (ROE), after controlling for corporate characteristics, i.e. leverage, liquidity and size.

$$ROE = \beta_0 + \beta_1 BSIZE_{it} + \beta_2 NED_{it} + \beta_3 ID_{it} + \beta_4 LED_{it} + \beta_5$$

$$LEV_{it} + \beta_6 LIQ_{it} + \beta_7 GROWTH_{it} + \beta_9 SIZE_{it} + u_{it}$$

**Findings**

**Descriptive Statistics of Variables**

The descriptive statistics of all observations, including the mean, minimum, maximum, standard deviation, coefficient variation, skewness and kurtosis for each variable are presented below:

**Table 1:** Descriptive statistics of Dependent, Independent and Control Variables

Variable	Min	Max	Mean	Std. Dev.	Coefficient of Variation	Skewness	Kurtosis
ROA	16.11	22.51	17.80	2.05	11.54	0.00	0.00
ROE	10.35	30.09	21.33	4.86	22.79	0.00	0.00
BSIZE	10.33	11.33	10.78	0.35	3.24	0.44	0.01
NED	0.69	0.74	0.71	0.02	2.20	0.01	0.49
ID	0.33	0.64	0.49	0.08	16.64	0.00	0.00
LED	0.67	0.73	0.69	0.02	3.39	0.00	0.00
LEV	-0.06	0.97	0.30	0.27	90.62	0.48	0.00
LIQ	2.14	2.80	2.40	0.20	8.44	0.00	0.00
SIZE	8.53	9.61	9.08	0.32	3.53	0.00	0.00

Source: Calculated by the Author

The statistics show that the maximum board size is 11.33, while the minimum is 10.33, indicating that all listed companies have at least ten board members. The maximum average of non-executives on the board is 0.74, while the minimum is 0.69. In addition, the maximum average for leadership structure is 0.73, while the minimum is 0.67. From the study it is found that all listed companies have on an average eleven board members. The two third of the directors are non- executive and half of the directors are independent, which is in line with the India code of corporate governance. The two third of the sample companies with the code of corporate governance guideline for separating the CEO and chairman roles.

The mean value for ROA is 17.80%, with a minimum of 16.11% and a maximum of 22.51%. The Indian listed company is doing a good job using its assets to generate profit. The ROE averages around 21.33%, with a minimum value of 10.35% and a maximum value of 30.09%. It represents the better utilization of capital to generate more

and high satisfaction of the shareholders. So, in this regard the shareholders of the Indian listed companies are satisfied. It can be observed that leverage has a mean of 0.3 and the greatest variation, ranging from a minimum of -0.06 to a maximum of 0.97. There appears to be variation between the maximum and minimum values among most of the companies' leverage. The average leverage is lower and fluctuate during the study period. It indicates that they finance the total assets by shareholders' fund rather than debt fund. The mean liquidity is 2.40, with a minimum of 2.14 and a maximum of 2.8. The mean firm size is 9.08, with a minimum of 8.53 and a maximum of 9.61. Overall, Indian listed companies are in a comfortable position to meet their short term liabilities. The highest instability is observed in leverage (CV 90.62%), while NED with CV 2.20% has been recorded the lowest instability. Concerning the standard skewness & kurtosis statistics, the it is found that, the presented data are normally distributed.

**Trend Analysis**

**Table 2:** Estimated whole periods' growth rate of Variables in selected listed Indian Companies, 2010 to 2019

	Adj R2	DW	F	Year (b)	GROWTH
ROA	0.539	0.758	11.54*	0.521*	2.93*
ROE	0.043	2.649	1.404	0.62	2.91
BSIZE	-0.124	1.6	0.01	(-)0.004	(-)0.04
NED	0.197	1.503	3.208	0.003	0.42
ID	-0.122	1.469	0.023	0	0
LED	0.027	1.593	1.248	0.003	0.43
LEV	-0.034	2.201	0.7	-0.026	(-)8.67
LIQ	0.211	2.414	3.403***	(-)0.037**	(-)1.54**
SIZE	0.95	0.895	171.659*	0.103*	1.13*

Source: Calculated by the Author

From the table it is found that the selected sample companies Return on assets and firm size shows an increasing and liquidity shows decreasing trend during the

study period. But board structure, return on equity and leverage fail to identify any significant trend during the study period.

**Diagnostic Tests**

**Table 3: Pair-wise Correlation Matrix and Variance Inflation Factor**

	BSIZE	NED	ID	LED	LEV	LIQ	SIZE	VIF
BSIZE	1							1.41
NED	-0.1329*	1						1.3
ID	0.1235**	0.3051*	1					1.06
LED	-0.2337*	0.3442*	0.0475	1				1.16
LEV	0.062	-0.1095*	-0.038	-0.1310**	1			1.03
LIQ	-0.1698*	0.0685	-0.0251	0.1349**	-0.0001	1		1.09
SIZE	0.4889*	-0.2530*	-0.0731	-0.3173*	0.1242**	-0.2631*	1	1.48

Note: \* 1% Significance level; \*\* 5% Significance level; \*\*\* 10% Significance level;

Source: Calculated by the Author

From the table it is found that the correlation coefficients for all the independent variables are less than 0.5 and all the

VIFs are less than 2. Hence, collinearity does not seem to be a problem in the regression models.

**Table 4: Test of Heteroskedasticity**

Test	Regression Model	Results
Breusch-Pagan / Cook- Weisberg test	Model 1 (Dependent variable: ROA)	Chi2 (1)= 34.89*
	Model 2 (Dependent variable: ROE)	Chi2 (1) = 6.71*
White's Information Matrix test	Model 1 (Dependent variable: ROA)	Chi2 (34)= 111.89*
	Model 2 (Dependent variable: ROE)	Chi2 (34) = 62.83*

Source: Calculated by the Author

The results of Hetttest and Imtest test shown below Table indicate that all two models are suffering from heteroskedasticity. Hence, to control the adverse effect of heteroscedasticity problem the study is used robust standard errors while computing the individual coefficients through

the regression models to make results best linear unbiased estimator.

**Panel Data Analysis**

**Table 5: Panel Regression results of Selected Indian Listed Companies for the period 2010 to 2019 (Dependent Variable ROA)**

Model	OLS Model		Fixed Effect Model		Random Effect Model	
	Coefficient	t-Stat	Coefficient	t-Stat	Coefficient	z-Stat
Variable						
BSIZE	-1.09	-3.88*	0.48	1.46	-0.23	-0.74
NED	13.43	2.28**	-4.12	-0.44	10.98	1.33
ID	3.78	0.65	-0.49	-0.06	0.19	0.02
LED	2.69	1.69***	-2.36	-1.03	0.51	0.24
LEV	-0.73	-1.75***	-0.15	-0.49	-0.31	-0.99
LIQ	1.48	3.63*	-0.28	-0.65	0.20	0.46
SIZE	2.20	4.43*	8.66	7.03*	3.61	4.28*
Intercept	-7.12	-1.03	-60.49	-4.99*	-21.18	-2.18**
F-Statistic	7.22*		7.50*			
Wald $\chi^2$					21.25*	
R <sup>2</sup>	0.1475				0.0197	
No. of Obs.	300		300		300	

Note: \* 1% Significance level; \*\* 5% Significance level; \*\*\* 10% Significance level;

Source: Calculated by the Author

**Table 6: Panel Regression results of Selected Indian Listed Companies for the period 2010 to 2019 (Dependent Variable ROE)**

Model	OLS Model		Fixed Effect Model		Random Effect Model	
	Coefficient	t-Stat	Coefficient	t-Stat	Coefficient	z-Stat
Variable						
BSIZE	-2.65	-3.77*	-1.16	-1.04	-2.09	-2.47**
NED	-6.89	-0.47	-57.81	-1.81***	-13.72	-0.70
ID	23.63	1.63***	92.61	3.29*	43.88	2.31**
LED	0.95	0.24	3.81	0.49	1.68	0.32
LEV	-11.59	-11.07*	-12.58	-12.16*	-12.16	-12.05*
LIQ	-0.61	-0.6	-0.41	-0.28	-0.47	-0.39
SIZE	3.72	2.99*	6.78	1.61	3.67	2.11**
Intercept	13.41	0.77	-30.74	-0.74	1.86	0.08
F-Statistic	21.02*		22.57*			
Wald $\chi^2$					157.10*	
R <sup>2</sup>	0.3351		0.2529		0.3281	
No. of Obs.	300		300		300	

Note: \* 1% Significance level; \*\* 5% Significance level; \*\*\* 10% Significance level;

Source: Calculated by the Author

**Table 7:** Result of tests for selection of appropriate model of selected Indian listed companies for the period 2010 to 2019

Purpose	Null Hypothesis	Test	Test Statistic	
			For Return on Assets (ROA)	For Return on Equity (ROE)
Selection between Pooled Regression Model and Fixed Effects Model	All $u_i = 0$	Restricted F Test	$F_{(29,263)}=13.37^*$	$F_{(29,263)}=2.93^*$
Selection between Pooled Regression Model and Random Effects Model	$Var(u) = 0$	Breusch-Pagan Lagrange Multiplier Test	$\chi^2_{(1)}=253.40^*$	$\chi^2_{(1)}=21.86^*$
Selection between Fixed Effects Model and Random Effects Model	Difference in coefficients is not systematic	Hausman Test	$\chi^2_{(7)} = 30.86^*$	$\chi^2_{(7)} = 11.87$

Note: \* 1 % significance level; \*\* 5% significance level; \*\*\* 10 % significance level;  
 Source: Calculated by the Author

The F statistics of the pooled regression model and fixed effect model are statistically significant and also the Wald-statistic of the random-effect model is statistically significant. Therefore they are well fitted. It is found that test statistics in Restricted F Test, Breusch-Pagan Lagrange Multiplier Test are statistically significant, whereas Hausman Test is not statistically significant in ROE model and Hausman Test is statistically significant in ROA model. Hence the regression results of the REM is used for ROE

model and FEM is used for ROA model statistical inference and further analysis of the individual coefficients. Finally, we have made the robust estimation of the coefficients of the regression models under study. These models take care of the autocorrelation as well as heteroskedasticity in the observation and the estimates are unbiased and efficient. The regression results are presented below:

**Table 8:** Summarized regression result of selected Indian listed companies for the period 2010 to 2019

Model	ROA		ROE	
	Coefficient	t-Stat	Coefficient	z-Stat
Variable				
BFSIZE	-1.09	-4.38*	-2.09	-2.21**
NED	13.43	1.86***	-13.72	-0.61
ID	3.78	0.90	43.88	1.07
LED	2.69	1.30	1.68	0.40
LEV	-0.73	-1.09	-12.16	-40.79*
LIQ	1.48	2.33**	-0.47	-0.47
SIZE	2.20	5.07*	3.67	1.93**
Intercept	-7.12	-1.11	1.86	0.10
F-Statistic	9.21*			
Wald $\chi^2$			3804.72*	
R <sup>2</sup>	0.1475		0.3281	
No. of Obs.	300		300	

Note: \* 1% significance level; \*\* 5 % significance level; \*\*\* 10 % significance level;  
 Source: Calculated by the Author

Since F test and Wald-statistic are significant at 1% probability level, therefore model 1 and 2 are well fitted. From Table it is observed that Board size has a significant negative relation with corporate financial performance. Because large board of directors will lead to decrease the members ability to control and monitor management, resulting in worst firm performance, but Small board size can closely monitor the management, resulting in higher firm performance. The proportion of non-executive directors in the corporate board positively significant effects on return on assets. It implies that non executive directors increases the efficiency of the firm due to their external knowledge and expertise as well as their monitoring function. But the independent directors and CEO duality have no significant impact on corporate financial performance. Firm size and liquidity has a significant positive relation with corporate financial performance and leverage is negatively and significantly associated with corporate financial performance.

### Conclusion

The present study is an attempt to show the effect of corporate board structure on firm's financial performance of some selected listed Companies in India for a period of 10 years from 2010 to 2019. Return on Assets and Return on Equity are taken as indicators of firm's financial performance. The technique of multiple regression has been used on STATA.

From the above analysis it can be concluded that all listed companies have on an average eleven board members. The two third of the directors are non- executive and half of the directors are independent, which is in line with the India code of corporate governance. The two third of the sample companies with the code of corporate governance guideline for separating the CEO and chairman roles. The Indian listed company is doing a good job using its assets to generate profit and generate high satisfaction of the shareholders. They are in a comfortable position to meet their short term liabilities and finance the total assets by shareholders' fund rather than debt fund. Small corporate board is recommended for Indian corporate sector. Because large board of directors will lead to decrease the members ability to control and monitor management, resulting in worst firm performance. Small board size can closely monitor the management, resulting in higher firm performance. Indian corporate sector particularly favours boards with a high composition of NEDs. Non executive directors increases the efficiency of the firm due to their external knowledge and expertise as well as their monitoring function. Finally, it can be concluded that the financial performance of the Indian listed companies is significantly affected by board structure and Indian corporate sector support the argument of both the agency theory and resource dependency theory.

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